



The State of
Health Insurance
in China

2017-2018

About the report & Pacific Prime China

This inaugural *State of International Health Insurance in China* report aims to provide individuals, families, groups, and companies an overview of the international health insurance market in China. Pacific Prime has produced a valuable paper for anyone considering their insurance options going into 2018.

Leveraging the knowledge of our expert advisors and the wealth of international insurance market data we hold, this report has been created to answer the following consumer-focused questions and make searching for and buying insurance simpler:

- ▶ How much does international insurance coverage cost in China?
- ▶ What trends are influencing the cost of insurance, and where are costs heading?
- ▶ Who offers insurance products in China?
- ▶ When do people buy insurance?
- ▶ What are some common insurance-related issues relevant to China-based businesses?

The seven sections of this report will answer aspects of all of these questions, and give you an overall understanding of the state of international health insurance in China. The data and information we base our findings on are focused on international coverage in China. However, there is much in the way of analysis and discussion that could apply to local and regional insurance plans.

This report is also part of a much larger series of global reports. With offices in many locations around the world, Pacific Prime China provides this international insurance study in conjunction with reports on the following locations:



Each individual location's report is available from the websites of our regional offices. Another report has also been prepared to consider the state of international insurance on a global scale, and is available from our parent company Pacific Prime's main [website](#).



About Pacific Prime China

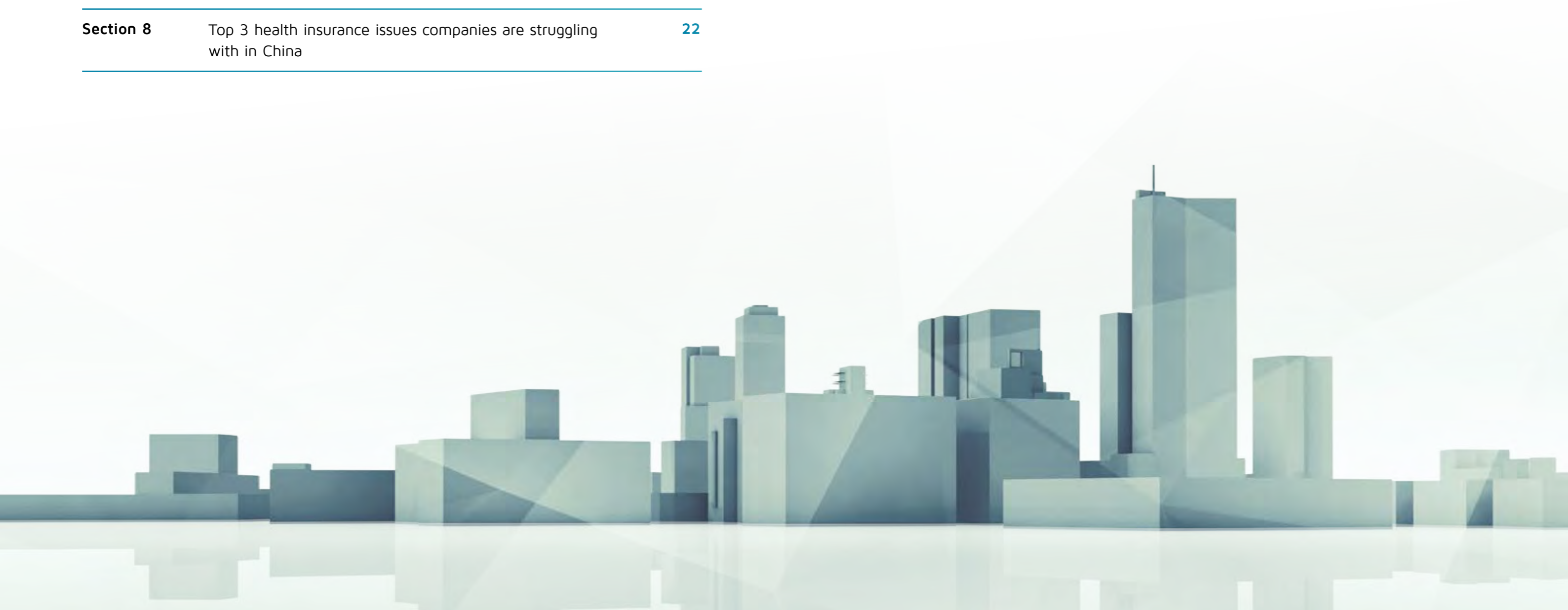
As a premier insurance and employee benefits broker, Pacific Prime China delivers exceptional service to clients from our offices in Beijing and Shanghai. Establishing our first office in 2003, both offices now drive much of global parent company Pacific Prime's China-based business; serving thousands of individuals, families, and corporate clients with a multitude of products and services from the world's most reputable insurers.

Our reputation of *simplifying insurance* is one we value greatly, and producing useful industry-focused reports such as this is part of our commitment to ensuring our clients and partners are in the best position possible when it comes to their insurance matters. Our global network of partners means that our experienced team are ready to help you with whatever you need, wherever in the world you are.

[Contact us](#) for more information about how we can deliver for you.

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Executive Summary

The *State of International Health Insurance in China* report has the ultimate goal of educating and informing people about the international insurance market. This information will be useful for individuals, groups, and companies, both inside and outside the country; overseas-based corporate companies who base staff in China will also find this report applicable when it comes to making HR decisions for employee wellbeing.

Data underpinning this report has been generated throughout 2017, while analysis and discussion draws upon several previously published Pacific Prime reports that have kept track of costs and trends in the insurance marketplace for several years. This initial *State of International Health Insurance in China* report has the following key findings that will be handy takeaways for any reader:



The average cost of health insurance

In 2017, the average cost of international health insurance in China was USD 10,695.

This figure, generated from the 2017 *Cost of International Health Insurance* report, represents an average of four demographics.

Section 2 of this report provides an overview of the costs by demographic.



Premium inflation

In 2016, the average inflation of international health insurance premiums in China was reported to be 12.06%. Compare this to the global inflation of 9.2%, and it is clear to see that China's growing insurance market is beginning to pull away from the global average.

Section 3 of this report provides an overview of health insurance inflation in the country, along with a historical look at figures.

The most prominent insurers

Pacific Prime China works with some of the largest insurers in the region. Currently, there are 30+ insurers who offer international health insurance plans in China.

Section 4 provides an overview of the 9 prominent insurers we work with along with some examples of plans they offer.



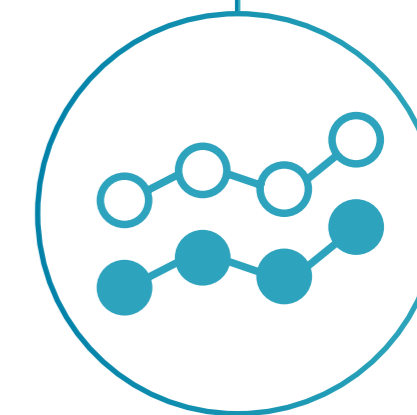
Major trends impacting health insurance in China

In order to get the most out of any health insurance plan, it is important to be aware of the current trends impacting not only costs, but also the plans available in China and globally.

For example, in Section 5 of this report, it is reported that the majority of people buy health insurance in Q3.

Sections 6 and 7 take a look at important changes in China that you should be aware of along with regional/global trends.

Section 8 discusses group health insurance and employee benefits, and a few common challenges being experienced by businesses in China.



The cost of health insurance in China

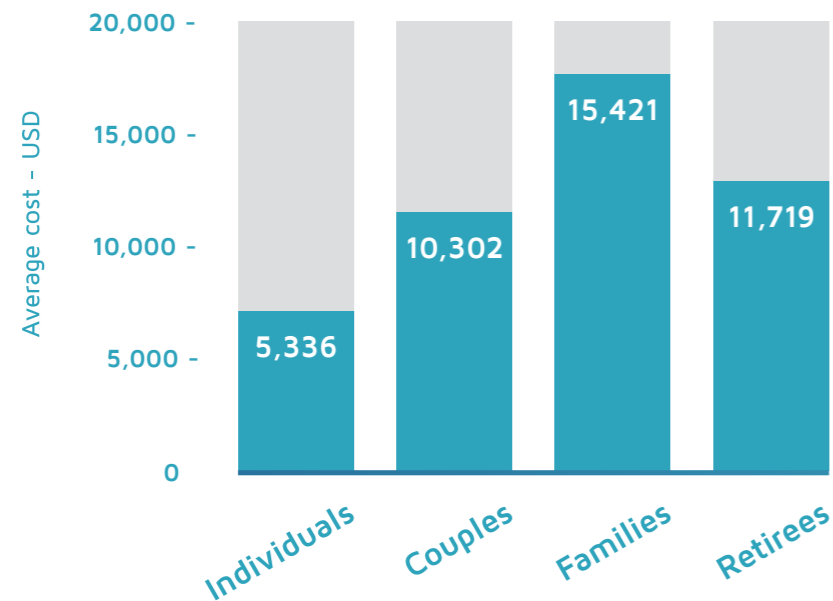
In answering the question of “How much does international insurance cost in China?”, we turn to the *Cost of International Health Insurance Report 2017* report. Released in mid 2017, this report highlights insurance premiums in 100 different countries. In 2017’s report, China was found to be the fourth most expensive location in the world for international health insurance, with an average cost of USD 10,695.

The data for the plans used in the report comes from 10 insurers who each offer three levels of international health insurance coverage. Premiums were represented by demographics to illustrate the varying prices consumers could expect for the types of plans available.

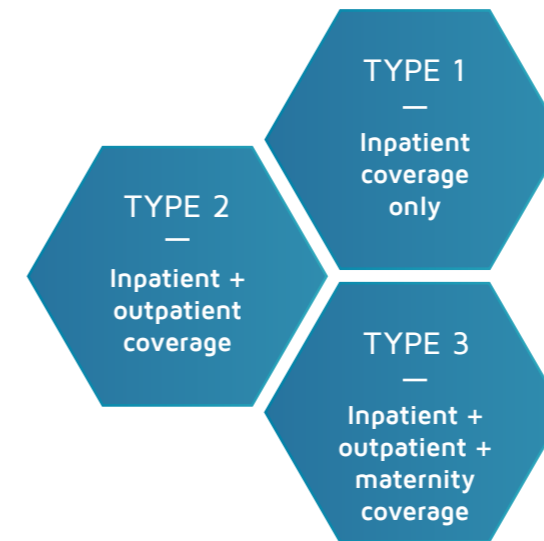
Average premiums by demographic

While knowing the average overall cost of international insurance coverage in China is helpful, breaking the figures down into demographics is better for highlighting what different types of customers should expect to pay. The chart below compares the average cost of international health insurance premiums by four major demographics: individuals, couples, families, and retirees.

Average cost of international health insurance in 2017 - China



To find the averages above, we looked at plans with three levels of cover for each demographic:

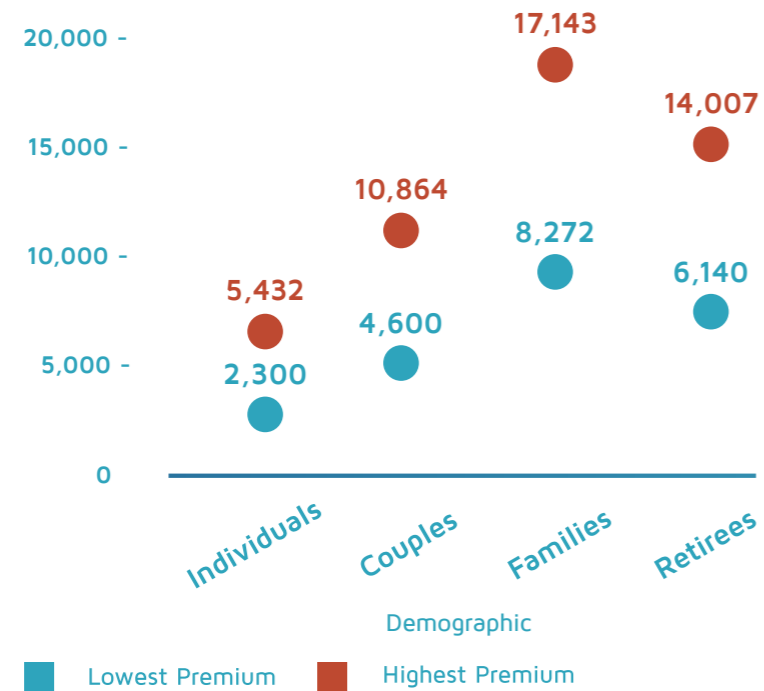


When compared with the Asia region, China ranked fourth most expensive for individuals and couples; third for families; and fifth for retirees.

Premium spread in 2017 for inpatient + outpatient plans in China

As our most commonly sold plan, inpatient + outpatient costs in China will be highlighted to give a better understanding of the spread of international insurance premiums. These plans, taken from the premium data we hold for the insurers we work with, show the following:

Premium spread for inpatient + outpatient cover (USD) - China



From the above figures, plans for families stand out as having the highest overall spread between the highest and lowest premiums from our *Cost of International Health Insurance Report 2017*.

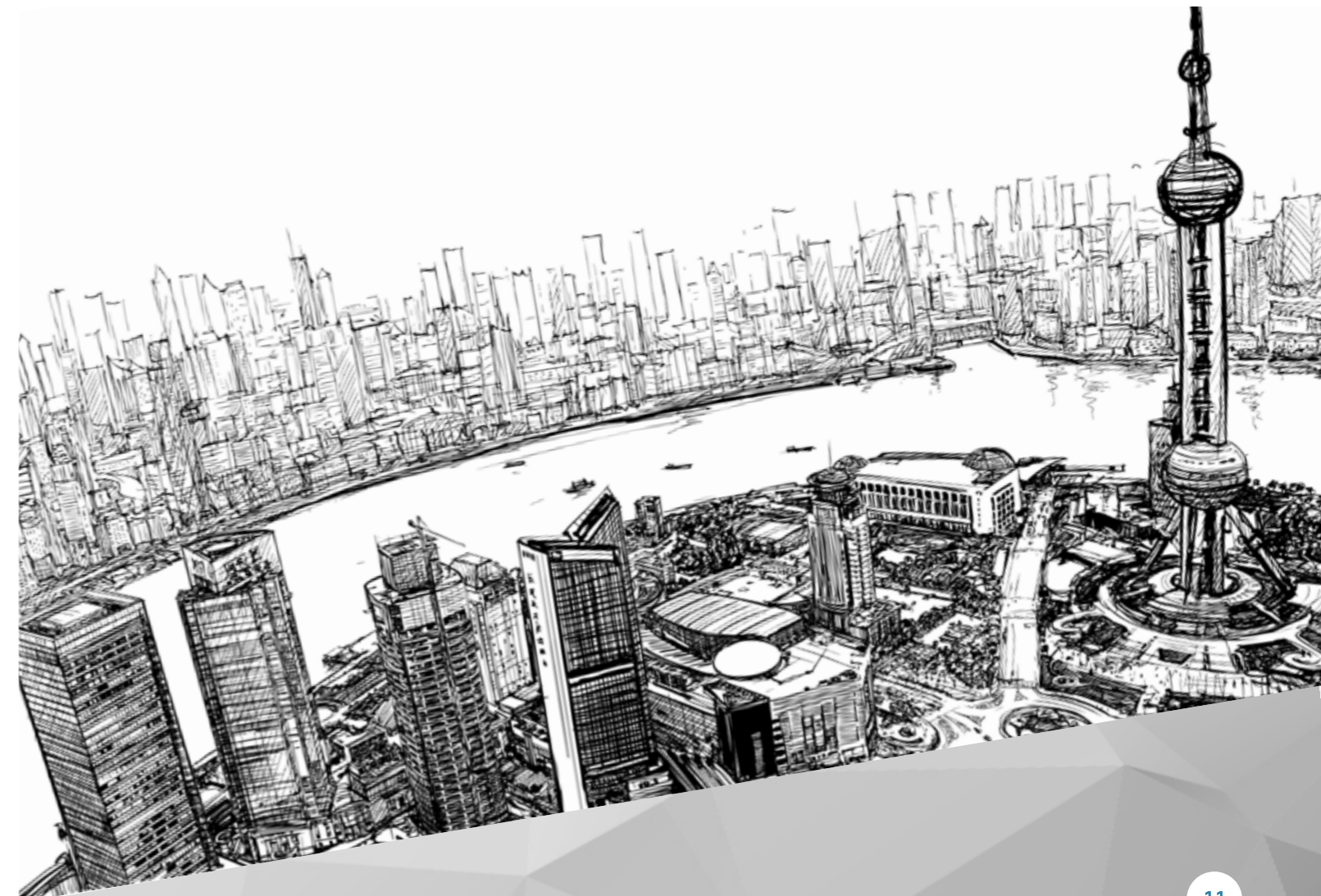
What should be noted, however, is that the report itself uses only 10 of the total number of insurers we partner with. The 10 insurers were selected together they represent close to 80% of the total number of plans sold worldwide and for having comparable health insurance offerings in all locations highlighted in the report.

This means that the above graph, while it shows the highest and lowest premiums from our *Cost of International Health Insurance Report 2017*, is not fully inclusive of all the plan premiums we provide. They are, however, a good sample for gaining a general idea of China's international insurance market.

The Cost of International Health Insurance Report 2017

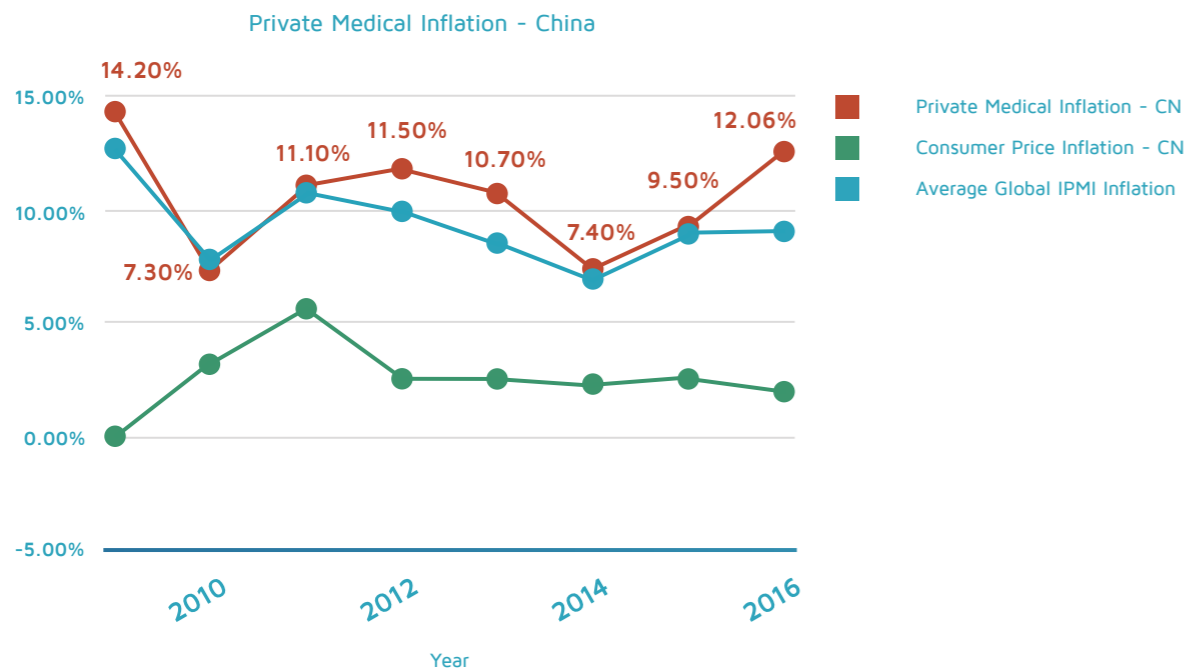
To read more about our report on international insurance costs around the world, or to look at the insurance, plan, or country data used to reach our findings, download your free copy today.

[Download Report Now](#) 



Average health insurance premium inflation in China

In early 2017, we published a report on the rate of premium inflation around the world, and the trends and factors putting pressure on insurance costs. The *International Private Medical Inflation - 2017* report considered the rate in which international insurance premiums were increasing in a number of countries, including China. The main finding was that China, a location experiencing a substantial increase in health investment and reforms, has seen a significant rise in international private medical insurance (IPMI) inflation.

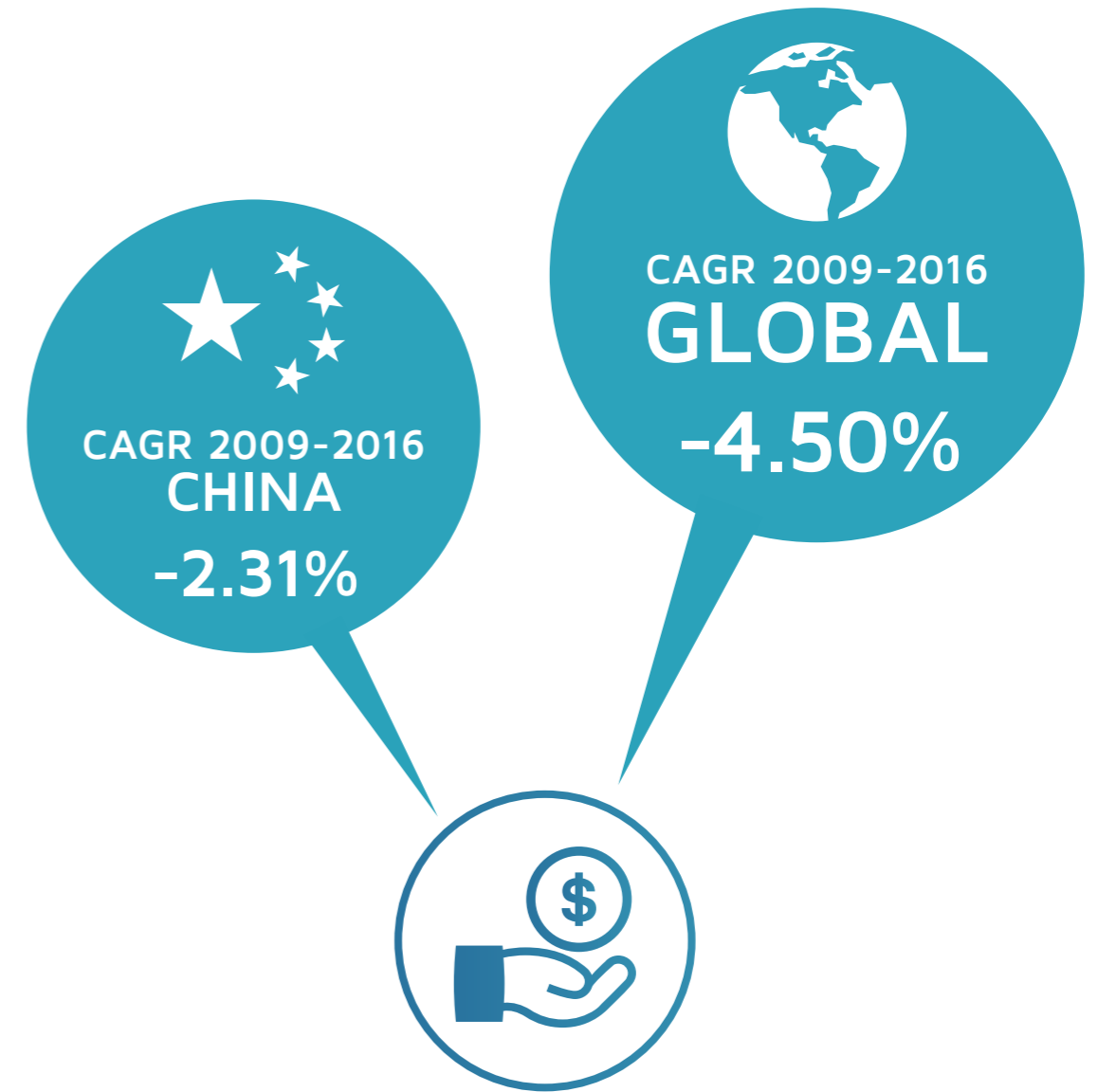


In particular, IPMI plans in China saw premium inflation rise from 9.5% in 2015, to 12.06% in 2016. This past year's premium inflation figure for China was in contrast to the Consumer Price Inflation rate which decreased in 2016, and was much higher than the Average Global IPMI inflation of 9.2%.

Inflation of IPMI premiums over time

Over time, the rate of IPMI premium inflation in China has generally tracked closely to the global average and have somewhat mirrored consumer price inflation. However, 2016 marked a noticeable deviation from this trend with IPMI inflation in China being higher than the global average.

To help us better understand the rate of IPMI inflation over time, we've calculated the Compound Annual Growth Rate (CAGR) from data between 2009 and 2016:



It's important to note that this figure does not suggest that premiums have decreased, on average, year-on-year. Instead, the CAGR figures explain two things:

1. Between 2009 and 2016 average premium inflation actually decreased.
2. International health insurance premiums in China have generally seen slightly higher increases than the global average.

The International Private Medical Insurance Inflation - 2017 Report

To read more about the rate of inflation in international insurance premiums across key expat locations around the world, download your free copy of our report today.

[Download Report Now](#)

Major insurers in China

China's insurance market is booming, with professional services firm EY providing an extensive *state-of-play for the region* in 2016. In this report, it noted that total medical insurance premiums between 2013 and 2015 had risen from RMB 112.3 billion to RMB 241.1 billion. The China Insurance Regulatory Commission (CIRC) has recorded a total of five insurance companies specializing in health insurance, and another 100 (including 28 foreign life insurance companies) offering a total of 2,300 health insurance products to the country.

The market has a mix of Chinese private insurers and foreign health insurers operating in the industry. The boost in the number of market players averaged 27% from the years between 2007 and 2013, driven largely by demand from a growing number of middle-class households looking to secure medical coverage. This demand has drawn significant attention to the Chinese insurance market, with foreign companies committing to overcoming regulatory challenges to get in on the action.

While many Chinese nationals are more familiar with the public health insurance systems available, more and more people are turning to private care to secure themselves against a health system with a widening disparity in medical facilities and associated costs of receiving care. Insurers have seen a high number of claims from luxury medical facilities, indicating that consumers see private medical coverage as a means to receiving high-end services in the Chinese health system.

Pacific Prime China, with our experienced advisors and long-standing partnerships with many major insurers in the country, have a quick overview of 9 of the most prominent local and international health insurance providers in the region:



Aetna International is an award-winning business that provides health benefits to more than 650,000 members worldwide. One of the industry's largest players, Aetna International also works with governments and hospitals around the world to improve services that can deliver a stronger, healthier global community.



Allianz China General Insurance Company Ltd. (AZCN), headquartered in Guangzhou, is a foreign-funded subsidiary of Allianz SE. Founded in China in 2010, AZCN took over Allianz Group's China operations and has since grown to offer a variety of services including: short and long term health insurance and accident insurance for individual and corporate clients, motor insurance, property, liability, and more.



AXA Tianping Property & Casualty Insurance Company Limited (AXATP) is the largest foreign-capital P&C company in the China market. Following a merger and acquisition between AXA and Tian Ping Auto Insurance Company Limited, AXATP remains committed to providing prompt, convenient, and reliable insurance services in China.



Bupa China is a brand of the UK company, which is one of the largest health insurers in the world. Health insurance accounts for 70% of Bupa's business, and they employ more than 80,000 staff in countries like Australia, the UK, Spain, Hong Kong, Chile, India, Saudi Arabia, and the USA. They serve more than 14 million people in over 190 countries.



Cigna & CMB Life Insurance Co., Ltd. ("Cigna & CMB") was established in 2003 and offers a variety of healthcare products that leverage Cigna & CMB's local and international capabilities. On the international stage, Cigna & CMB are linked to Cigna's global healthcare service centers that allow them to offer seamless quality of service throughout the country and worldwide.



ICBC-AXA Life Insurance Company is a joint venture between AXA Group, Industrial and Commercial Bank of China, and China Minmetals Corporation. Headquartered in Shanghai, these companies have united to distribute AXA's high-quality insurance products to the growing Chinese market.



MSH China was founded in 2001 to provide leading high-end health insurance services. Headquartered in Shanghai, MSH China also has offices in Beijing, Guangzhou, Shenzhen, and Chengdu. Primarily a top-end service provider, the company serves over 1,000 companies, with many of their clients being counted among Fortune 500 companies.



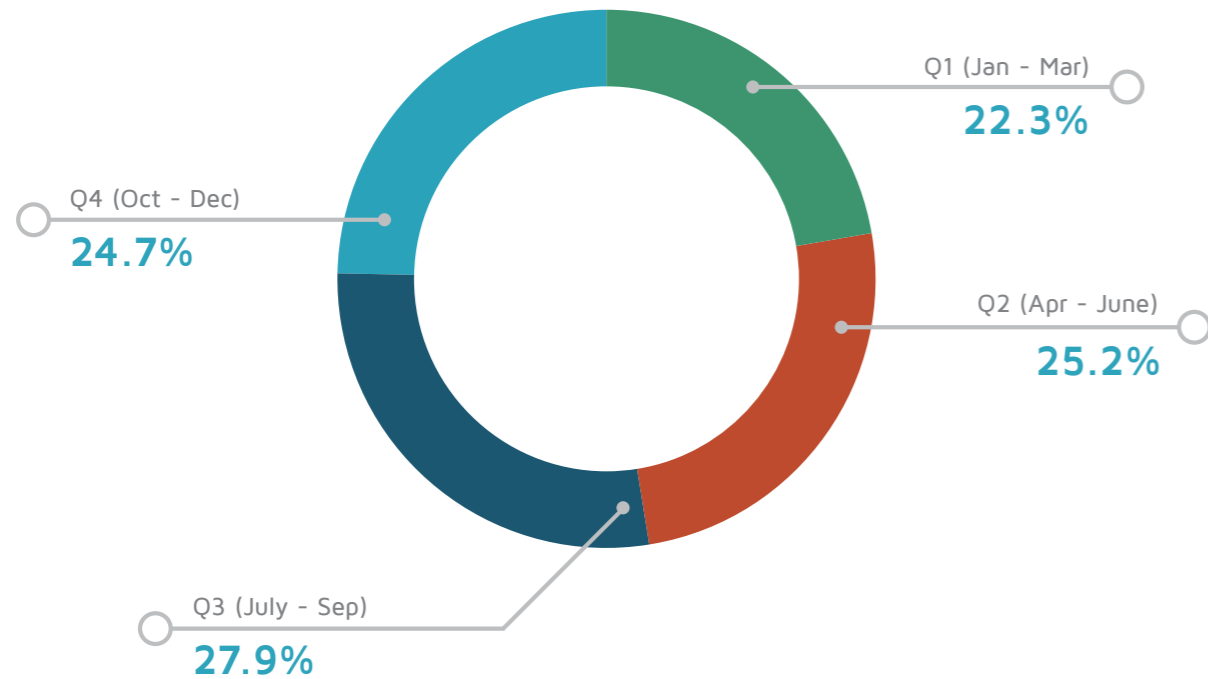
Now Health International China is an award-winning global business that is headquartered in Hong Kong, with service offices in Shanghai, Beijing, Dubai, and the UK. The recent acquisition of Best Doctors Insurance, a major medical insurance provider in Latin America, has made Now Health one of the largest independent providers in the world. They service more than 100,000 people with 330 global staff.



Ping An Health Insurance Co., Ltd. is a specialized health insurer under the Ping An Group brand. Established in 2005, it has since joined with Discovery, the largest health insurance in South Africa, and delivers a large scope of products including health, accidental injury, government mandated insurance, consulting service, and health reinsurance.

When do people buy health insurance in China?

Our analysis of sales data in China indicates that plans are sold fairly evenly throughout the year, however Q3 (July to September) has been the most popular time for people to purchase health insurance coverage with nearly 28% of our plans sold in 2016 being sold in Q3.



Q3 seeing the highest number of international health insurance plans sold is interesting. One of the main reasons we believe this quarter to have higher sales is due to the fact that the summer is traditionally a popular time for many people to move jobs. Traditionally, we have seen many expats move in the summer so as to coincide with their children's school schedule.

It is also possible that people might have more free time in the summer months during which they will tend to focus on securing health insurance or other forms of coverage.

What specific China-related factors also impact the purchase of medical insurance?

Anecdotally, our advisors have stated that major holidays in China have a negative impact on the sale of international insurance policies each year. Chinese New Year, which generally takes place around February, and the Mid Autumn Festival in October have generally seen less people interested in securing insurance during this time.

Instead, what we see is an increase in policies sold in the month/months before the holiday (late August/September for mid-autumn festival, and late December/January for the Chinese New Year holiday).

Interestingly, our breakdown on page 16 shows that the increased number of sales in Q3 and Q2 are in contrast to the insurer habit of raising premiums around January. In other countries, it is usually common to see a bump in sales before this time. This could show that premium management might not be top of mind for some.

In turn, this highlights the fact that in order to ensure that you are getting the most out of your insurance it is worthwhile working with a broker like Pacific Prime China. As a broker, we have a unique overview of the market and can help you find the best value plan and coverage.

Recent changes in health insurance in China

China's healthcare system has been in a state of constant change as the country moves to expand and modernize the industry to cope with its significant population. Unfortunately, the public health insurance system has turned **inefficient**, with large numbers of people facing long delays to see a time-rushed doctor in a non-private room.

To avoid this, people are increasingly turning to the private health care system and subsequently, health insurance which will cover one's access to the better resourced private hospitals and facilities. As such, there have been a number of recent changes in the Chinese health insurance market to meet this demand. Below are three of the most important that are currently having an impact on health insurance in the country.



A shift from critical-illness to reimbursement policies

The **Boston Consulting Group** (BCG) wrote about the major shift in consumer purchases of health insurance products in 2016. China's medical coverage market was previously dominated by critical-illness policies; benefits offered as riders to life insurance products that offer a lump sum payout based on a set of agreed-upon medical conditions.

Such policies are easy to design and sell, making them extremely popular in China initially. The issue for consumers, however, is that critical-illness benefits do not support long-term health issues. As with most countries, lifestyle-related illnesses are becoming more common and, as a result, make the one-off benefit of critical-illness a little harder to justify.

To fill this shortfall, people are turning to reimbursement-oriented private medical insurance policies in increasing numbers.

According to BCG, the total number of **gross written premiums** in China in 2010 was RMB 68 billion, with reimbursement-oriented plans accounting for only RMB 19 billion. In 2015, the total figure had jumped to RMB 241 billion, and reimbursement policy premiums had risen to RMB 72 billion.

This growth has been largely driven by group insurance consumers, who in 2015 represented a whopping 80.8% of all reimbursement policies in China in 2015.

This, combined with the growth in demand and number of private hospitals points to the fact that health insurance policies are generally more appropriate for seeking long term care at private facilities.

As such, the Chinese market will continue to see an increase in reimbursement health insurance policies secured as the number of private hospitals continue to boom in the country.



Increasing focus on cost-containment measures

Cost-containment measures are a necessary part of any insurance plan. It helps insurers reduce risk and abuse, as well as helps to reduce the premiums of a policy for consumers.

Travel insurance company, ERV, found that average medical costs for outpatient and inpatient treatments have steadily increased in China over the past **two decades**. More than that, they also found that people's employment status had an impact on the cost of care and rate in which they were hospitalized after an initial consultation.

Urban employed people in China were paying close to 50% more than the unemployed for both inpatient and outpatient care, and were nearly twice as likely to be admitted to hospital following presentation to a facility. The average length of a hospital stay has almost halved since 1980, however.

As people in China are becoming increasingly wealthy, we are seeing the number of visits to private facilities increase. Some of these facilities are among the most expensive in the world.

What this indicates is a need for better cost-containment measures in health insurance. Unfortunately, China's relatively young insurance market is hampered by challenges; lack of quality market data, higher-than-expected disease incidences, limited bargaining power of insurers with hospitals.

There are, however changes being made, with insurers beginning to introduce features such as provider networks, co-payments for luxury/high-cost medical facilities, and increased efforts to combat fraud.



Global/regional trends impacting IPMI in China

Globally speaking, there are a huge number of trends currently impacting IPMI in China are ones being experienced globally, however, there are a number of local factors that are also having an impact on health insurance and premiums regionally. Of these, there are two trends our advisors believe that everyone buying health insurance in China should be aware of:



Change in the type of risk insurers are willing to accept

The cost of healthcare in China, especially at private hospitals, can be very high. This is especially true for maternity care, as we have discussed in our [maternity guides](#).

This cost combined with higher demand has led to a shift in the way many IPMI insurers are looking at, and working with risk.

Essentially, we are seeing many insurers change their plans and the benefits offered in China, especially around high cost care.

For example, in plans designed for the Chinese market we are seeing insurers reducing or implementing coverage limits for specific care. Other insurers have also implemented longer waiting periods for benefits like maternity.

In some cases we have also seen stricter eligibility criteria being implemented. For example, a few insurers now require that two adults join a plan together before they will be eligible to apply for maternity coverage.

This makes it incredibly important to not only carefully read the terms and conditions of any plan but to also compare plans before purchasing.



Plan instability due to rising medical inflation costs

Medical inflation is a global issue, however China's significant investment in the health sector, its burgeoning health insurance market, and the widening gap in terms of public and private facilities is causing medical costs in the country to rise too.

The result has seen IPMI premium inflation in China being comparatively higher than the global average, and the local effects have seen insurers in China having to make major adjustments to their plans, or removing them from the market altogether.



Insurance fraud and claims abuse impacting products

Combatting fraud in the insurance industry has been an ongoing battle globally for decades. In China's case, high numbers of insurance fraud and claims abuse has led to some dramatic market decisions in recent years.

The number of Child Alone and Maternity plans available has been shrinking following high local rates of fraudulent behaviour being recorded by insurers. Rather than increase stricter controls on such plans, some insurers have just opted not to offer them at all.

As a result, consumers should be careful of plans and insurers they select in China. Benefit-rich plans at a low cost with no cost controls (such as copayments, facility restrictions, etc.) can be at risk of increasing in price significantly in following or subsequent years after their purchase. In more extreme cases, people can not only see their premiums skyrocket, but their terms of cover shrink significantly as insurers seek to reduce the risk on such previously attractive policies.

Top 3 health insurance issues companies are facing in China

Companies in China are also set to benefit from the larger focus many insurance companies are putting on the local market, however many challenges still remain for any business looking to implement and manage an employee benefits program. Our advisors have found the following common issues among many of our corporate and business clients:

ISSUE

1

Plan sustainability and competitiveness

With the fact that health insurance premiums are sure to rise each year, companies can find it difficult to understand whether or not the increase is justified. HR teams looking to report back to their management about whether or not their employee benefits package is effective and cost efficient can often find themselves swamped with insurance jargon, or simply fed too little information to make their own conclusions.

China in particular is a young market insurance-wise and many insurers may not have the level of local data and knowledge they have in other markets around the world. This can mean that premium increases for many businesses may not be as accurate as they can be. Our advisors commonly find that our corporate clients can often have an unbalanced claims loss ratio that sees them paying too much for extraneous coverage, or facing an even larger increase in coming years due to overuse or poor plan cost controls.

In addition to unclear premium increases impacting plan sustainability, ensuring the employee benefits businesses in China offer are competitive in the market can also be tricky. With such little experience in offering healthcare benefits to employees, and what the market rate should be, businesses can find themselves at a loss for comparing themselves to their competitors.

Businesses big and small are recommended to engage with an experienced insurance intermediary in order to better position themselves to take advantage of what the employee benefits market has to offer, whilst also ensuring their spend and utilization of such plans remain sustainable and appropriate.

ISSUE 2

Uncertainty around premiums

Less than sure understanding of the insurance market in China is also a large factor in many businesses' uncertainty around how premiums are calculated for the region specifically. In most cases, insurers treat groups of people differently than they do individual consumers. In fact, groups are often also treated differently based on their size. A company of 10 people will be harder to project claims behaviour for than a company of 1,000 will.

Insurance companies getting in on the growing Chinese sector are recognizing the lower insurance-literacy rates amongst individuals and businesses alike, and are committed to raising the understanding of how the industry conducts its business. Similarly, the Chinese Government continues to put regulatory functions in place to ensure the **safety of the market** and consumers as the sector grows.

Yet, space still exists in the Chinese landscape for more high quality, useful insurance market information. As brokers still make up a significant majority of the market players in the sector, their help in disseminating educational and informative material to the consumer market, both individual and corporates alike, will be a big boost in settling uncertainty around aspects of the business such as premium calculations.



“ Employee benefits certainly does play a role in staff attraction and retention ”

ISSUE 3

Finding affordable plans for Small and Medium Enterprises (SMEs)

Again, our advisors are finding that the young Chinese insurance market has many barriers for different consumer types. In particular, Small and Medium Enterprises (SME) can often find securing good fitting employee benefit plans for a reasonable price difficult. There are still far too few insurers offering SME-focused plans in China, leading to the following issues for some businesses:

- ▶ **Understanding the concept of insurance** - When comparing the way people in China interpret and define health insurance it is clear to see that it is vastly different from the west. Generally speaking, westerners often see insurance as securing a peace of mind while Chinese tend to view insurance as something that is to be utilized. It is common to see clients in China looking to maximize their premium by exploiting certain benefits (such as maternity, TCM, or physiotherapy). This leads to an unsustainable insurance plan, which will first be felt by SMEs who will be faced with large premium increases.
- ▶ **Lack of access to quality care at reasonable cost** - When it comes to healthcare in China there are generally two options: Public hospitals, or the high-end private hospitals. There is little to no middle ground in the country in terms of quality and price. In turn, this means that available plans can be costly as they are designed to cover the private market, when what almost all SMEs need/want is a more mid level plan along with hospitals that will accept their cover.
- ▶ **Insurance fraud** - As mentioned in Section 7, fraud is a continuing issue in China. This in turn means that insurers are not able to offer stable plans which has a direct impact on SMEs. If your business is operating on small margins already, a drastic upward shift in plan premiums due to general fraud could quickly make your ideal plan unaffordable and unprofitable.

Part of the solution is simply giving the market time to adapt to SME needs. As insurers grow their understanding of what smaller operations in China require of their insurance coverage, the better the products on offer will become. However, staying competitive and improving the productivity of your workers and workplace may not allow for you to simply wait until the plan you need becomes available.

Businesses need to engage the services of more experienced insurance market players in order to be part of that changing conversation, influence early SME offerings, and establish their corner of the market in order to ensure the sector doesn't drag its feet. Again, approaching global insurers or experienced brokers can be the best first step many SMEs can take in securing a better employee benefits plan in China.



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